

AT THE EXTENDED MEETING OF THE CULPEPER COUNTY BOARD OF SUPERVISORS HELD IN THE BOARD ROOM, LOCATED AT 302 N. MAIN STREET, ON TUESDAY, APRIL 26, 2005

Board Members Present: *John F. Coates, Chairman*
Steven E. Nixon, Vice-Chairman
William C. Chase, Jr.
Sue D. Hansohn
James C. Lee
Brad C. Rosenberger
Steven L. Walker

Staff Present: Frank T. Bossio, County Administrator
J. David Maddox, County Attorney
Valerie H. Lamb, County Finance Director
Peggy S. Crane, Deputy Clerk

CALL TO ORDER

Mr. Coates called the meeting to order at 10:00 a.m. He explained that the meeting had been called to establish a tax rate, approve the Capital Improvement Plan, and adopt the FY 2006 budget.

RE: AGENDA – ADDITIONS AND/OR DELETIONS

Mr. Nixon moved, seconded by Mr. Lee, to approve the agenda as presented.

Mr. Coates called for voice vote.

Ayes - Chase, Coates, Hansohn, Lee, Nixon, Rosenberger, Walker

Motion carried 7 to 0.

GENERAL COUNTY BUSINESS

RE: TAX RATES FOR CALENDAR YEAR 2005

Mr. Coates stated that the Board would vote to adopt a tax levy on real estate, personal property, machinery and tools, and aircraft for Calendar Year 2005.

Mr. Bossio stated the Board had several options regarding tax increases to consider:

1. To balance the budget with no tax increase, with total estimated revenues of \$109,996,490 and expenditures of \$107,547,966.
2. To increase the real estate tax by 4 cents in order to move forward with bonding for the new high school and associated costs in July 2005 to cover the FY 2008 school projects at \$61.8 million broken out: \$42 million for construction costs for new high school; \$11 million, soft costs for new high school; \$2.3 million financing included in the \$10

million bond; \$2.5 million, site plan for existing high school and middle school campus; and \$4 million off-site construction costs for the high school project (\$2.5 million for VDOT costs and \$1.5 million for sewer costs). Spreading the bond over 25 years to take advantage of the low interest rates would incur a first payment of \$1.5 million in January 2006, \$2.78 million each in January 2007 and 2008, and \$4.4 million in 2009.

3. To increase the personal property tax from \$2.50 to \$3.50 on boats, travel/camper trailers, motorcycles, motor homes, trailers less than 10,000 pounds, tractor trailers over 10,000 pounds, and vehicles.

Mr. Bossio reported that staff recommended no change in business related taxes, such as machinery and tools, vehicles for hire, large trucks, airplanes, and business equipment. He pointed out that mobile homes were not being considered since they were tied to the real estate tax. He explained that significant concerns had been raised by the Chamber of Commerce regarding an increase on business equipment and by others on airplanes. He urged the Board not to raise the personal property tax on airplanes, not because he owned an airplane, but because a significant amount of money had been spent in upgrading the Airport in the anticipation of attracting corporate jets. He noted that the loss of increased taxes on a corporate jet of \$12,000 could be offset by hangar rents and fuel sales. He indicated that by excluding the business related taxes, the increases in personal property would raise approximately \$2.4 million.

Mr. Chase asked for clarification regarding how much interest was included in the January 2006 payment of \$1.5 million. Mr. Bossio replied that the \$1.5 million payment in January 2006 was all interest, as were the payments of \$2.76 million in FY 2007 and FY 2008. He explained that the staff proposed borrowing the money in order to take advantage of the low interest rates.

Mrs. Hansohn asked what the value would be if the tax on business equipment were increased. Mr. Bossio replied that the increase would be approximately \$893,362, or \$500 per the average bill.

Mrs. Hansohn asked Mr. Steve Southard, Treasurer, what the effective rate was on business equipment. Mr. Southern informed her that business equipment was assessed at \$1.25, which was 50 percent of capitalized cost.

Mrs. Hansohn moved that the tax rates be set at 82 cents for real estate and 7

cents for Fire/Rescue, which were the same rates; and the personal property tax be increased to \$3.50 on business equipment and vehicles. Mr. Rosenberger seconded for discussion purposes.

Mr. Rosenberger asked for clarification of Mrs. Hansohn's motion. Mrs. Hansohn stated that she was recommending that the personal property tax be increased from \$2.50 to \$3.50 on two items: business equipment and vehicles. She explained that the County was already business-friendly as evidenced by the personal property tax not being increased, such as tractor trailers, road tractors and large trucks. She said she felt that the burden should not always be placed on real estate but should be spread around, and her motion would raise more than \$3.1 million is approved.

Mr. Nixon and Mr. Barry Atchison, Commissioner of the Revenue's Office, discussed the business equipment category and what was covered. Mr. Atchison stated that computers, office furniture, and items such as lawn maintenance equipment would be included, but other equipment would be covered under machinery and tools. He said the average bill would be \$478.

Mr. Walker asked for an explanation of the effective rate. Mr. Atchison stated that the effective rate was 50 percent of the original cost for the entire period the equipment was owned. Mr. Southard pointed out that the effective rate on \$3.50 would be \$1.75.

Mr. Lee stated that businesses would be taxed at 100 percent for their vehicles based on the current law, as residents would pay 70 percent. Mr. Southard agreed that vehicles not qualifying for the car tax relief would be taxed at the 2005 rate, except for business vehicles. Mr. Coates stated he would support the motion because he felt it would be fair for all citizens. He expressed regret that the food and lodging tax referendum had not been approved, but hoped it would be back on the ballot in the fall. He pointed out that with the anticipated development north of Town on Route 29 Business and on Route 3 east of the Bypass, the food and lodging tax would prove to be beneficial.

Mr. Rosenberger asked whether there were corporate jets currently housed in the hangars at the Airport. Mr. Bossio replied that there were none at the present time, but he had received inquiries from two or three different companies who might be interested. Mr. Rosenberger asked about the availability of hangars and the amount of rent compared to surrounding airports. Mr. Bossio stated the Airport was in a good position because there

were approximately 90 people on the waiting list, but they were also on other waiting lists. He said that hangars were a good business, which was advantageous in view of the debt service being maintained. He added that when the debt had been paid in seven years, substantial revenue would be coming to the County and that was part of the plan, in addition to increasing the amount of fuel sales and attracting corporate airplanes. He cited as an example that the \$1-profit on jet fuel equated to a minimum of \$10,000–\$12,000 income per month from a corporate jet, in addition to \$2,500–\$3,000 per month from hangar rent.

Mr. Rosenberger stated he appreciated the goal of obtaining corporate jets at the Airport, but he felt that airplanes were luxury items. He pointed out that the County had already reduced merchants' capital tax and had no BPOL tax, so it could not be viewed as not being business-friendly. He emphasized that he would not support raising real estate taxes, but stated he would support the motion.

Mr. Walker, Mr. Southard, and Mr. Bossio had a lengthy discussion regarding the effective rates of airplanes in surrounding counties and the reasons they were comparable or were not. Mr. Walker concluded that to attract larger airplanes to the Culpeper Airport, the tax rate should remain at \$2.50.

Mr. Lee stated he would support the motion on the floor because the County had obligations to meet. He said he was not in favor of raising the real estate tax and did not believe the increases would have a detrimental effect on small businesses.

Mr. Chase called the question.

Mr. Coates called for voice vote and asked for a show of hands.

Ayes - Coates, Hansohn, Lee, Rosenberger

Nays - Chase, Nixon, Walker

Motion carried 4 to 3.

Mr. Coates recessed the meeting at 10:38 a.m. in order for staff to recalculate the revised budget figures.

Mr. Coates called the meeting back to order at 10:55 a.m.

RE: ADOPTION OF FY 2005 COUNTY BUDGET

Mr. Bossio informed the Board that Mrs. Lamb had calculated the personal property tax adjustments and the revised estimated revenues were \$109,996,490, with

expenditures of \$107,547,966. He proposed that the \$3.1 million raised by the personal property tax increase be used for the first year's interest-only payment of \$1.5 million on the bond, and the balance be moved into the School budget or be used to pay down capital projects.

Mr. Nixon stated that from his participation in the School Oversight Committee (SOC) meetings, he understood that the \$42 million for the new school and \$11 million for nonconstruction costs could be reduced to \$40 million and \$10 million respectively if the proper construction mechanisms were used to build the school. He said that a savings of \$3 million would cover the off-site construction improvements by the time they were required. Mr. Bossio agreed and stated that the SOC would have to make the adjustments before going forward to bonding. Mr. Nixon said he would like to limit the debt service from the beginning, rather than at the end.

Mr. Walker asked Mr. Bossio to discuss the concept of "peak shaving" since that was where some of the money would be going in the future. Mr. Bossio explained that several years ago, when the school infrastructure problem surfaced and it was agreed that a new high school would be needed, the Board set aside \$2 million, added \$500,000 each year, and now had approximately \$4 million in that budget for peak shaving. He said that bond redemptions did not work the same as home mortgages, since they had peaks and valleys. He noted that when a payment was due for which insufficient taxes had been raised, the County could make a balloon payment from the funds set aside for that purpose.

Mr. Bossio highlighted the projects included in the five-year CIP; i.e., a new middle school in 2014, with a bonding date of 2012; renovations to the current high school and middle school; a new jail; a new County Administration, with a bonding date of 2012; Courthouse renovations; J&D Court; and other capital items to be integrated with school needs. He said a new elementary school had been proposed in the budget and was not included in the CIP.

Mr. Nixon pointed out that even though the Board did not have a real estate tax increase this year, that the public needed to understand that there would be real estate increases in years to come because of debt service, peak shaving, and anticipated capital improvements. Mr. Bossio agreed with Mr. Nixon's statement and added that as staff had

begun to look at funding for the new high school, a 20-year bond was considered in order to reduce the impact on the taxpayers while interest rates were low. He said that staff projected a 4-cent real estate tax this year, 4 cents next year, and 4 cents the year following would cover capital expenditures equaling approximately \$4.4 million, and projected another 10 to 15 cents of real estate tax for operational costs at build-out of the school. He said the 2007 reassessment would impact these figures, and the timing was such that the information would be available prior to making a decision regarding future real estate tax needs. Mr. Nixon stated the reason he had mentioned savings in school construction and soft costs was that it would be very beneficial to the taxpayer.

Mr. Walker pointed out that the Board had been discussing the bond issue, but no discussions had taken place as to whether or not to go to a referendum, and asked when the appropriate time would be for that discussion.

Mr. Coates agreed that the Board would need to make a decision regarding whether the funds would be borrowed and go to a referendum.

Mr. Bossio stated that it had been anticipated that the Board would go forward with bonding money in July to build a new high school, and a referendum had not been contemplated because the issues had been before the public for two years. He agreed it was a Board decision and it could be discussed at the May Board meeting.

Mr. David Maddox, County Attorney, stated that there would be no financing done by the Board without the public's knowledge, and the topic would appear on the agenda for a future Board meeting.

Mr. Lee moved, seconded by Mr. Walker, to approve the budget as amended with revenues of \$109,996,490.

Mr. Nixon asked for clarification that the budget being adopted was for anticipated revenues of \$109,996,490 and expenditures of \$107,547,966. Mr. Bossio stated that was correct.

Mr. Coates called for voice vote.

Ayes - Chase, Coates, Hansohn, Lee, Nixon, Rosenberger, Walker

Motion carried 7 to 0.

OTHER BUSINESS

RE: CONSIDERATION OF CAPITAL IMPROVEMENT PLAN (CIP) FOR FY 2006-2010

Mr. Bossio stated the Capital Improvement Plan had been discussed and was before the Board for consideration. He asked Mr. John Egertson, Planning Director, to come forward to answer any questions.

Mr. Egertson informed the Board that the bound document had been created by the Planning Commission in January and some very minor adjustments had been made since that time and submitted to the Board members. He said the CIP was a separate item from the budget, and it would assist the Planning staff in developing a proffer policy and the Finance Director in preparing future budgets.

Mr. Walker noted he did not see the jail and middle school in the CIP. Mr. Egertson stated they had been included in the revisions and would be made a part of the bound document.

Mr. Walker moved, seconded by Mrs. Hansohn, to accept the Capital Improvement Plan.

Mr. Coates called for voice vote.

Ayes - Chase, Coates, Hansohn, Lee, Nixon, Rosenberger, Walker

Motion carried 7 to 0.

ADJOURNMENT

Mr. Nixon moved, seconded by Mrs. Hansohn, to adjourn at 11:17 p.m.

Mr. Coates called for voice vote.

Ayes – Chase, Coates, Hansohn, Lee, Nixon, Rosenberger, Walker

Motion carried 7 to 0.

Peggy S. Crane, CMC
Deputy Clerk

John F. Coates, Chairman

ATTEST:

Frank T. Bossio
Clerk of the Board

APPROVED: June 7, 2005